




**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
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December 16, 2013

TO: Jonathan E. Fielding, M.D., M.P.H., Director and Health Officer
Department of Public Health

FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **REVIEW OF DEPARTMENT OF PUBLIC HEALTH GRANTS UNIT
OPERATIONS - PUBLIC HEALTH PROGRAMS**

At the request of the Department of Public Health (DPH or Department), we reviewed DPH - Finance Administration Grants Unit (Grants Unit) operations to identify opportunities to enhance efficiency in the Grants Unit's processes, and to evaluate the adequacy and appropriateness of staffing levels required to support the grant management and monitoring function. The Grants Unit is responsible for managing and monitoring grant expenditures for all grants awarded to DPH's Programs (Program Offices).

Our review included interviewing Grants Unit management and staff, analyzing operational processes to identify inefficiencies in Grants Unit functions, and reviewing management and staff workloads. For Fiscal Year (FY) 2012-13, the Grants Unit had 94 Program Office grants, totaling approximately \$284 million. DPH indicated that their grants volume has increased annually, resulting in Grants Unit management and staff working overtime to address the additional workload.

Review Summary

Our review identified operational inefficiencies and process/workflow delays that appear to be the result of the comprehensive involvement of Grants Unit management in many aspects of the Grants Unit's routine functions. We recommend that DPH management consider delegating some of the Grants Unit management responsibilities, including the review and approval of low dollar purchase requisitions, and participation at Program Office status meetings by Grants Unit staff. Delegating these responsibilities will allow Grants Unit management to devote more time to oversight duties commensurate with their positions, and provide a working environment conducive to increased staff

empowerment and accountability. As part of our review, we have also made recommendations to increase the operational efficiencies for Grants Unit staff.

The following are the detailed results of our review and recommendations for improvement.

Grants Unit Responsibilities and Staffing

The Grants Unit's functions include reviewing proposed grant budgets that accompany grant applications prepared by Program Offices; reviewing Board Letters accepting grant funds; approving purchase requisitions, payments of contract invoices, and other grant/non-grant related payments; completing monthly reconciliations of grant expenditures; and preparing monthly internal unit monitoring reports. The Grants Unit is also responsible for billing for grant services, recording grant revenues, closing-out expired grants, and facilitating grant audits and inquiries.

At the start of our review, the Grants Unit was comprised of one Manager, two Supervisors, and 18 staff. The two Supervisors each managed a group of staff responsible for handling all grant management and monitoring functions for their assigned grants.

As of June 2013, the Grants Unit was reorganized to include additional supervisor groups. The reorganization resulted in the Grants Unit having one Acting Grants Unit Manager and four group Supervisors. Within each of the four supervisory groups, more experienced staff are designated to functional positions of Grant Leads, with lower level staff tasked with assisting the Grant Leads.

Grants Unit Management

In FYs 2011-12 and 2012-13 (through February 2013), the Grants Unit utilized a total of 1,833 hours of overtime. The Grants Unit Manager and two Supervisors at the time, accounted for 848 (46%) of the overtime hours, or an average of 14 overtime hours each per month. The Supervisors indicated that overtime was generally due to their heavy workload.

Based on our review of the Grants Unit's responsibilities, and discussions of the grant process/workflow with management and staff, we identified grant operation inefficiencies and delays related to the functional duties of Grants Unit management. Specifically, Grants Unit Management was involved in reviewing and approving routine aspects of the Unit's responsibilities that should have been delegated to their staff. For example, grant audit responsibilities and inquiries handled by the Acting Grants Unit Manager could be delegated to the Supervisors. In FYs 2011-12 and 2012-13, a total of 11 Public Health Program grants were required to be audited under the Single Audit. In addition, four grants were audited by their respective grantors. For these audits, the

Acting Grants Unit Manager was responsible for coordinating the audits with the Program Offices, and preparing all requested audit documentation. With the reorganization discussed below, these audits could be facilitated by the respective Supervisor overseeing the grants to allow the Acting Grants Unit Manager to focus on other responsibilities.

At the time of our review, the two Grants Unit Supervisors were directly responsible for managing 87 (93%) of the 94 Program Office grants. The Grants Unit has an Accounting Officer II position that could be utilized as an additional Supervisor consistent with the County's Class Specifications that indicate the position directs a moderate sized staff of 20 or more. The Grants Unit's Accounting Officer II was responsible for managing the remaining seven grants (7%), directly supervising only one staff, and assisting in the supervision of two other staff. Transferring some of the two Supervisors' existing duties, including supervision, to the Accounting Officer II could assist in alleviating some of the Supervisors' existing need for overtime, and more closely align the Accounting Officer II's responsibilities with the Class Specifications of the position.

As a result of our review, DPH reorganized the Grants Unit to have one Acting Grants Unit Manager and four Supervisors. One existing Supervisor was assigned as the Acting Grants Unit Manager, and the Accounting Officer II as an additional Supervisor. In addition, DPH hired a new Supervisor. Under the new organization, the supervisory responsibility of the Grants Unit is more effectively distributed among management. The Acting Grants Unit Manager directs the four Supervisors who are responsible for overseeing 14, 17, 19, and 25 grants, respectively.

Aligning Workload

We identified additional opportunities to more effectively align workload commensurate with the level of staff classifications within the Grants Unit.

Online Requisition System Approvals

Department Program Offices initiate grant expenditures by completing an electronic requisition through their Online Requisition (OLR) System. After the Program Office applies approvals, the requisition is forwarded to the Grants Unit where it is reviewed for sufficient grant funding, then approved. Prior to the Grants Unit's reorganization discussed above, the first level approval within the Grants Unit was made by either one of the two Supervisors, an Accounting Officer II, or an Administrative Assistant II, depending on the grant. All second level approvals were made by the Grants Unit Manager.

Our review of all 2,081 approved requisitions processed during FY 2011-12 and FY 2012-13 (through October 2012), noted that 1,706 (82%) of the requisitions were for

amounts less than \$5,000. DPH management should evaluate establishing tiered requisition approval criteria based upon relative dollar risk that would allow lower dollar threshold requisition approvals to be distributed to subordinate Grants Unit staffing classifications. Changing requisition approval thresholds would distribute approval workload among subordinate staff, freeing the manager to provide more effective oversight of Grants Unit operations.

For example, Grant Leads could be granted the first level approval for all OLRs under \$5,000, with the second approval made by a Supervisor. OLRs of \$5,000 or more would continue to require the approval by the Grants Unit Manager which (after a Supervisor) becomes a third level approval. If the Grants Unit Manager was only involved in approvals over \$5,000, then during the 16-month period reviewed, the Manager's requisition approval workload would have been reduced from 2,081 to 375, a reduction of 82%. This change would result in the Grants Unit Manager's involvement in OLR approvals on only high dollar requisitions, consistent with a risk-based approach to approval criteria, and create greater accountability among staff and supervisors.

During our review, DPH Finance indicated that they have taken action to implement the recommendation.

Recommendation

- 1. Department of Public Health management evaluate establishing tiered requisition approval criteria based upon relative dollar risk.**

Meetings with Department Program Offices

The Grants Unit generally has representatives meet with Department Program Offices every month to discuss the financial status of grants, plan for future expenditures, and share any other issues affecting the grants. Based on our interviews with the Grants Unit Supervisors and our review of the Grants Unit's Calendar Year (CY) 2012 Meeting Schedule, we noted that the Grants Unit Manager and Supervisors spend a significant amount of their time attending meetings with Program Offices. We also noted that Grants Unit staff responsible for the grants also attend the same meetings.

The Meeting Schedule indicated that the Grants Unit was represented at a total of 206 status meetings with Program Offices in CY 2012. The Grants Unit Manager attended 171 of these meetings, which accounted for approximately 18% of her annual work hours (312 of 1,764 County productive work hours). The two Supervisors attended most of the same meetings with the Manager, duplicating most of the Manager's meeting attendance effort. This does not include additional as-needed meetings that occurred throughout the year, the time necessary to prepare for and travel to meetings, and the time of Grants Unit staff who also attended the meetings.

Grants Unit Supervisors indicated that it is necessary for them to attend the meetings because they need to have updated information on the grants in order to answer management and Program Office inquiries. We recognize the importance of managers and supervisors maintaining a level of fluency with respect to the status of grants, but believe the current meeting attendance practices are redundant and inefficient.

To reduce the time and duplicative meeting attendance efforts among the Grants Unit Manager, Supervisors, and staff, DPH management should consider having Grant Leads be the primary attendees of Program Office meetings on behalf of the Manager and Supervisors, and that those Leads provide written status reports/meeting results to the Manager and Supervisors, as needed. The status reports can also serve as a historical record of the evolving successes and challenges of each grant. To ensure assigned staff are qualified to attend these meetings and produce status reports that adequately address management needs, DPH should re-evaluate the appropriate level of staff required to handle the Grant Lead function and determine a suitable number of staff necessary to support the position. By delegating the responsibility to staff, the Grants Unit Manager and Supervisors will have additional time to provide leadership and oversight of Grants Unit operations that is more commensurate with their management and supervisory roles.

Recommendations

Department of Public Health management:

- 2. Consider having Grant Leads be the primary attendees at Program Office meetings on behalf of the Manager and Supervisors, and that Leads provide written status reports/meeting results to their supervisors.**
- 3. Re-evaluate the appropriate level of staff required to handle the Grant Lead function and determine a suitable number of staff necessary to support the position.**

Grants Unit Staff

During the 20 months of overtime reviewed, from July 2011 through February 2013, 13 Grants Unit staff worked a total of 742 overtime hours, or an average of three overtime hours per staff per month. Grants Unit management believes that overtime during these periods was generally due to insufficient staff to address their growing grant workload. The number of grants overseen by Grants Unit staff has increased by approximately 21%, from an average of approximately 78 grants for the last three fiscal years, to 94 in FY 2012-13. However, the time necessary to oversee each grant is dependent on the size, complexity, and grantor agency reporting requirements.

Based on our review, overtime in FY 2011-12 was primarily attributed to the H1N1 Preparedness Grant which was awarded in July 2009 and extended through July 2011. The grant funded two new staff to manage the grant. However, management indicated that the additional staffing was still inadequate to support the new workload. During the closing of the grant in FY 2011-12, the assistance of all Grants Unit staff was needed to verify billable overtime worked by nurses that could be charged to the grant, claim grant funds, and close the grant. It was this billing verification process that drove much of the FY 2011-12 staff overtime.

In addition, overtime hours claimed in FY 2012-13 were primarily due to the Measure B Funds for bioterrorism and public health emergency preparedness and response. Grants Unit management indicated that there was an increase in funding for Public Health Labs in FY 2011-12, but there was not sufficient staff to support the additional workload. The Grants Unit needed the assistance from non-Grants Unit staff to meet with the Labs to identify billable expenditures, and required the assistance from several Grants Unit staff to compile documents in FY 2012-13 for expenditures claimed against the grant. The expenditures were claimed after the conclusion of FY 2011-12 because the Grants Unit did not believe they had sufficient staff to prepare ongoing billings throughout FY 2011-12.

Based on our review, it appears the Grants Unit's staff overtime has been isolated to particular circumstances. In addition, the amount of overtime does not appear excessive considering the number of hours used compared to the number of Grants Unit staff. However, DPH management expressed to us their belief in the need for additional staffing to address workload and overtime issues. Specifically, DPH management emphasized that staffing limitations occur seasonally during year-end and that additional staffing would help the Grants Unit process subcontractor invoices and prepare grantor required Financial Status Reports in a timely manner. DPH should continue to monitor staffing concerns and if staffing is determined inadequate, the County's annual budget cycles provide a periodic opportunity for DPH to assess existing workload and seek changes to their staffing levels.

We also noted the following areas in which Grants Unit staff workflow and efficiency could be improved, and could potentially reduce the amount of overtime charged by Grants Unit staff.

Subcontractor Invoice Processing

As noted above, the Grants Unit approves invoices from Program Offices for qualifying grant services provided through agreements with subcontractors. The Program Offices receive invoices from the subcontractors, sign the invoices verifying services were received, and forward the manually approved invoices to the appropriate Grants Unit Supervisor for invoice processing in the electronic Countywide Accounting and Purchasing System (eCAPS). Grant Leads review each invoice to ensure that the

Program Office approved the invoice, expenditures align with contract budgets, and vendor information in eCAPS is accurate. Subsequent to the Grants Lead's review, the Grants Unit approves the payment in eCAPS.

Grants Unit staff indicated that invoice processing can be time consuming due to extensive follow-up they must conduct with the Program Offices. Staff indicated that the Program Offices do not always properly review the invoice or update the Grants Unit about contract budget modifications. In addition, invoices are to be paid within 30 days of receipt, with the Program Offices having five days to approve the invoice, and the Grants Unit having 25 days to process the invoice. However, staff indicated that the Program Offices do not always meet this timeline, which affects the time the Grants Unit has to review and process the invoice, thus impacting other Grants Unit responsibilities. To alleviate some of the follow-up efforts, DPH management should conduct trainings with the Program Offices, supported by subcontractor invoice processing policies and procedures, to ensure sufficient clarity of the roles, responsibilities, and timelines among Program Offices and the Grants Unit.

Recommendation

- 4. Department of Public Health management conduct trainings with the Program Offices, supported by subcontractor invoice processing policies and procedures, to ensure sufficient clarity of the roles, responsibilities, and timelines among Program Offices and the Grants Unit.**

Requisition and Payment Voucher Reconciliations

Grants Unit staff complete reconciliations of OLR Logs to monthly eCAPS Expenditure Detail Reports for each grant. OLR Logs are maintained to track all requisitions made against each grant. As part of the reconciliation process, the Grants Unit has to obtain payment vouchers (PV) from DPH's Hospital Materials Management System (HMMS), along with its supporting documentation (e.g., purchase orders, invoices, receiving confirmations, etc.) in order to reconcile the eCAPS Report to the requisitions in the OLR Logs.

Staff indicated that monthly reconciliations of the PVs to the OLRs are time consuming since there is no common identifier to link PVs and OLRs. Staff explained that they match OLRs to PVs by searching the OLR Logs maintained for the particular grant using vendor names, descriptions, amounts, or by searching the internal OLR Report that includes purchase order numbers of OLRs processed in the previous month.

To increase the efficiency of the PV to OLR matching process, DPH's Invoice Processing Unit should annotate the corresponding OLR number on each PV prior to sending the PVs to Finance for payment approval. When the Grants Unit reconciles

monthly expenditures to the OLRs, the PVs will already have been annotated with the corresponding OLR numbers.

During our review, DPH Finance indicated that they have taken action to implement the recommendation. In addition, DPH Finance has met with the Internal Services Department (ISD) to discuss modifying the PVs to automatically include the OLR number. ISD is currently evaluating the feasibility of the modification.

Recommendation

- 5. Department of Public Health's Invoice Processing Unit annotate the corresponding online requisition number on each payment voucher prior to sending the payment vouchers to Finance for payment approval.**

eCAPS Payment Approvals

DPH management indicated that the Grants Unit staff, with eCAPS payment approval capabilities, spend a significant amount of their time approving payments for both grant and non-grant related expenditures. In FYs 2011-12 and 2012-13 (through February 2013), the Grants Unit made 24,619 (65%) of the total 38,121 disbursement approvals required for the Department.

To further reduce the Grants Unit staff workload and focus their efforts in completing grant specific duties, DPH should evaluate the feasibility of transferring the payment approval function to the Department's General Accounting Unit.

Recommendation

- 6. Department of Public Health management evaluate the feasibility of transferring the payment approval function to the Department's General Accounting Unit.**

Review of Report

We discussed the results of our review with DPH management. The Department's attached response indicates agreement with our findings and recommendations.

We thank DPH management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:AB:RS

Attachment

c: Department of Public Health

Cynthia A. Harding, M.P.H., Chief Deputy Director

Jeremy D. Cortez, Chief Financial Officer

Victor Cortez, Finance Manager

David Dijkstra, Administrative Deputy

Ray Low, Chief, Audit & Investigation

Audit Committee



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October 8, 2013

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Cynthia A. Harding, M.P.H.
Chief Deputy Director

A handwritten signature in black ink, appearing to read "Cynthia A. Harding".

SUBJECT: **RESPONSE TO THE AUDITOR-CONTROLLER'S DEPARTMENT OF
PUBLIC HEALTH GRANTS UNIT OPERATIONS – PUBLIC HEALTH
PROGRAMS REVIEW**

Attached is the Department of Public Health's (DPH) response to the findings and recommendations contained in the Auditor-Controller's Grants Units Operations – Public Health Programs Review. We agree with the recommendations and will be taking appropriate corrective actions.

We appreciate the opportunity to include our response in your report, and thank your audit staff for their professionalism and objectivity during this review. If you have any questions, please contact Raymond Low, at (323) 869-8920.

CAH:ma

Attachment

c: Jeremy Cortez
Victor Cortez
David Dijkstra
Raymond Low

COUNTY OF LOS ANGELES – DEPARTMENT OF PUBLIC HEALTH

**SUBJECT: REVIEW OF THE DEPARTMENT OF PUBLIC HEALTH GRANT UNIT
OPERATIONS – PUBLIC HEALTH PROGRAMS**

AUDITOR-CONTROLLER RECOMMENDATION #1

DPH management evaluate establishing tiered requisition approval criteria based upon relative dollar risk.

Department of Public Health (DPH or Department) Response

We concur. Effective July 1, 2013, Public Health Services (PHS) implemented the Online Requisition (OLR) System approval criteria based on DPH eCAPS approval dollar threshold. OLRs under \$10,000 will require two (2) levels of approval; greater than \$10,000, but less than \$50,000, will require three (3) levels of approval; and \$50,000 and over will require four (4) levels of approval. With the newly established criteria, 97% of OLRs require two (2) levels of approval.

AUDITOR CONTROLLER RECOMMENDATION #2 AND #3

Consider having Grant Leads be the primary attendees at Program Office meetings on behalf of the Manager and Supervisors, and that leads provide written status reports/meeting results to their supervisors.

Re-evaluate the appropriate level of staff required to handle the Grant Lead function and determine a suitable number of staff necessary to support the position.

Department of Public Health (DPH or Department) Response

We concur. Grant Leads have been assigned the primary attendees of their respective Grant meetings, and Supervisors will be attending as needed. Grant Leads' written status reports/meeting results to their Supervisors are to begin with the October 2013 meetings.

Further, we are currently evaluating Grant Lead positions and the number of Grant Leads required. Upon completion of our review, we will work with Human Resources (HR) on the classification of appropriate position levels.

AUDITOR CONTROLLER RECOMMENDATION #4

DPH management conduct trainings with the Program Offices, supported by subcontractor invoice processing policies and procedures, to ensure sufficient clarity of the roles, responsibilities, and timelines among Program Offices and the Grants Unit.

Department of Public Health (DPH or Department) Response

We concur. The Grant Unit will develop a training plan for Program Offices for subcontractor invoice processing policies and procedures. This will ensure sufficient clarity of the roles, responsibilities, and timelines for invoice submission.

AUDITOR CONTROLLER RECOMMENDATION #5

DPH's Invoice Processing Unit annotate the corresponding OLR number on each payment voucher (PV) prior to sending the PVs to Finance for payment approval.

Department of Public Health (DPH or Department) Response

We concur. DPH met with Office of Administrative Deputy-Systems Support (OAD-SS) and Internal Services Department (ISD) personnel on August 20, 2013, to establish an OLR number on each PV. This is pending ISD's implementation. Grant Unit will continue to work with OAD-SS and ISD to ensure implementation.

AUDITOR CONTROLLER RECOMMENDATION #6

DPH management evaluate the feasibility of transferring the payment approval function to the Department's General Accounting Unit.

Department of Public Health (DPH or Department) Response

We concur. Currently, the General Accounting Unit is evaluating staffing levels which are required to assume this responsibility. We will be working forward to request a reorganization of Finance and will include the appropriate items in Fiscal Year 2014-15 budget submission.